

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-09
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 SIL-01 LAB-04
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R 311735Z AUG 78
FM AMEMBASSY ROME
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INFO AMCONSUL GENOA

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PASS USDOC

E.O. 11652: NA
TAGS: ENRG,ELTN,ELAB,IT
SUBJECT: ITALSIDER IMPORTS OF COKING COAL FROM USA

REF: ROME 15574

1. SUMMARY.ITALSIDER ROME REPRESENTATIVE VINCENZO ZOLI
AND DOMENICO MAIELLO, GENOA-BASED ITALSIDER COKING COAL
SUPPLY MANAGER, CALLED ONEMBOFFS AUGUST 28 TO FOLLOW UP ON
EARLIER DISCUSSIONS REGARDING NORFOLK AND WESTERN RAILWAY (N&W)
STRIKE (REFTEL) AND TO LOGE GENERAL COMPLAINT ABOUT POOR
TRANSPORTATION SERVICES PROVIDED BY NORFOLK AND WESTERN
RAILWAY. ITALSIDER RESP CITED MINE WORKERS STRIKE, CURRENT
N&W STRIKE, SHORTAGE OF BOXCARS, LACK OF ADEQUATE DOCK LOADING
FACILITIES,AND N&W REQUEST FOR INCREASES IN RAILWAY TARIFFS
AS FACTORS WHICH RAISE DOUBTS IN ITALSIDER MANAGER MINDS
ABOUT RELIABILITY OF US COAL SHIPMENTS. ITALSIDER IMPLIED
THAT UNLESS APPROPRIATE AUTHORITIES IN THE UNITED STATES
RECOGNIZE FINANCIAL HARDSHIPS CRETED BY ABOVE LISTED PROBLEMS
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AND TAKE ACTION TO CORRECT THE SAME PROBLEMS, ITALSIDER
(AND OTHER CUSTOMERS) MIGHT SEARCH ELSEWHERE FOR COAL
SUPPLIES.END SUMMARY.

2. ZOLI BEGAN MEETING BY NOTING THAT THE TWO ITALSIDER
SHIPS (THE OCEANO AND POSIDON) THAT HAD BEEN WAITING
FOR COAL LOADING AT THE PORT OF HAMPTON ROADS WERE BEING

LOADED AND WOULD DEPART WITHIN HOURS. MAIELLO STATED THAT THE LAY-UP OF THESE TWO SHIPS ALONE HAD COST ITALSIDER DOLLARS 500 THOUSAND IN ADDITIONAL PORT AND MAINTENANCE CHARGES. MOREOVER, PROSPECTS FOR MEETING REGULAR SHIPMENT SCHEDULES IN THE NEAR FUTURE REMAIN GRIM ACCORDING TO ZOLI AND MAIELLO.

3. THE ITALSIDER REPS, OBSERVING THAT SELLER'S MARKET CURRENTLY PREVAILS IN COKING COAL, THEN PROCEEDED WITH A LITANY OF COMPLAINTS ABOUT POOR SERVICES PROVIDED BY US RAILROADS IN GENERAL AND N&W IN PARTICULAR. AFTER NOTING THE GENERAL PROBLEMS CAUSED BY THE UMW STRIKE EARLIER THIS YEAR, MAIELLO THEN LISTED THE FOLLOWING PROBLEMS WITH REGARD TO N&W COAL SHIPMENTS.

4. ITALSIDER HAD EVIDENTLY PREVAILED UPON N&W MANAGEMENT TO GIVE ITALSIDER SPECIAL CONSIDERATION IN LOADING THE ITALSIDER SHIPS WAITING FOR LOADING AT HAMPTON ROADS. ITALSIDER INDICATED TO N&W MANAGEMENT AND INTERSTATE COMMERCE COMMISSION (ICC) RULES PROHIBITED FREEZING OF ANY ONE PRODUCT, I.E. COAL, WHEN AN ENTIRE RAILROAD IS TRUCK. APPARENTLY, ITALSIDER FEARED THAT N&W MANAGEMENT WAS GIVING PRIORITY TO SHIPMENTS OF OTHER TYPES OF GOODS WHICH GENERATED HIGHER NET RETURNS.

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5. ITALSIDER ALSO COMPLAINED TO GENERAL SHORTAGE OF BOXCARS IN THE USA. MANY BOXCARS WERE TIED UP IN A PORT BOTTLENECK DUE TO LACK OF PORT COAL STORAGE FACILITIES (E.G. COAL SILOS). ITALSIDER HAD EARLIER REQUESTED N&W TO MAKE A FEASIBILITY STUDY ON THE POSSIBILITY OF ENLARGING PORT STORAGE FACILITIES. ACCORDING TO MAIELLO, N&W HAD INVESTIGATED BUT FOUND THAT BOXCAR LOADING AND UNLOADING DIRECTLY ON THE SHIP WAS MORE EFFICIENT AND ECONOMICAL THAN A PROCEDURE WHEREBY COAL WOULD BE DUMPED INTO A STORAGE FACILITY AT THE PORT AND THEN LOADED ONTO THE SHIPS. FACED WITH THIS RESULT, ITALSIDER THEN OFFERED TO ARRANGE FOR CONSTRUCTION AND EXPORT OF ITALIAN-MADE BOXCARS FOR USE BY ITALSIDER ON N&W HAS INDICATED LITTLE INTEREST IN THIS PROPOSAL.

6. MAIELLO THEN NOTED THAT N&W (ALONG WITH OTHER RAILROADS) HAS REQUESTED ICC APPROVAL OF INCREASES IN RAILWAY RATES. A 4 PERCENT INCREASE WENT INTO EFFECT IN JUNE AND ANOTHER RATE INCREASE IS PLANNED FOR DECEMBER. ITALSIDER LAMENTED THE FACT THAT THE RAILWAY RATE FOR THEIR SHIPMENT OF A LONG

TON OF COAL FROM MINE TO SHIP ALMOST DOUBLED SINCE 1974 (FROM \$6/TON TO APPROXIMATELY \$11 TON). AS AN ASIDE, MAIELLO ALSO POINTED TO LIKELIHOOD OF A LARGE JUMP IN SHIP LOADING CHARGES IN THE NEAR FUTURE, FURTHER ADDING TO ALREADY HIGH SHIPMENT COSTS.

7. ROUNDING OUT THEIR CASE AGAINST N&W AND THE US RAILWAY BUSINESS, ITALSIDER REPS RAISED POSSIBILITY OF COMPLETE SHUT DOWN OF N&W RAILWAY BY PICKETS WHEN COURT INJUNCTION EXPIRES ON SEPTEMBER 5 AND ALSO THREAT OF TUGBOAT STRIKE IN NOVEMBER. ITALSIDER REPS NOTED THAT ITALSIDER'S EXPERIENCE WITH OVERALL PERFORMANCE RATINGS (DEFINED IN PERCENTAGE TERMS AS THE AMOUNT OF COAL SHIPPED FOR THE US (YT (65 PERCENT) WAS WELL BELOW THAT OF OTHER LIMITED OFFICIAL USE

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COUNTRIES, E.G. USSR (100 PERCENT) POLAND (90 PERCENT) OTHERS (GENERALLY AROUND 80-85 PERCENT).

8. COMMENT. ALTHOUGH EMBASSY OBVIOUSLY CANNOT VERIFY SUBSTANCE OF ITALSIDER COMPLAINTS, IT SEEMS CLEAR THAT RAILWAY PROBLEMS ARE RAISING DOUBTS AS TO RELIABILITY OF US AS A COAL SUPPLIER. ITALSIDER REPS NOTED THAT JAPANESE SHIPPERS HAVE BEEN EXPERIENCING SIMILAR PROBLEMS AND SUGGESTED THAT FOREIGN CUSTOMERS MIGHT BEGIN TO SHOP AROUND FOR NEW, MORE RELIABLE SOURCES OF SUPPLY UNLESS SOLUTIONS TO THE PROBLEMS WERE FOUND (ZOLI MADE ANALOGY OF CURRENT US SITUATION WITH SITUATION IN UK IMMEDIATELY FOLLOWING WWI WHEN A GENERAL STRIKE PARALYZED RAIL SERVICES PROMPTING THE ITALIANS TO MAKE THEIR FIRST ORDER FOR US COAL. EMBOFFS RECOMMENDED THAT ITALSIDER REPS ATTEND PUBLIC RATE HEARINGS AT THE ICC IF POSSIBLE AND REPRESENT ITS INTERESTS THERE.END COMMENT.

9. ACTION REQUESTED. IN ACCORD WITH REFTTEL REQUEST, EMBASSY WOULD APPRECIATE RECEIVING ANY NOTICES OF ICC RATE HEARINGS OR OTHER ADMINISTRATIVE PROCEEDINGS IN WHICH ITALSIDER CAN MAKE ITS VIEWS KNOWN. ANY OTHER GUIDANCE OR INFORMATION WE CAN PASS ALONG TO ITALSIDER WOULD BE WELCOMED.GARDNER

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